

**Statement of
Paul Ollerton
before the
House Agriculture Committee,
Subcommittee on General Farm Commodities and Risk Management
Casa Grande, Arizona
May 1, 2006**

Mr. Chairman, members of the Subcommittee, welcome to Arizona and thank you for holding this hearing.

I appreciate the opportunity to present remarks about future farm policy, with an emphasis on cotton.

My name is Paul Ollerton and I farm in the Casa Grande Valley. I will grow 700 acres of cotton this year as well as wheat, barley, alfalfa and watermelons.

Mr. Chairman, Arizona is a state with an extraordinarily diverse agricultural economy. It is critically important to our farmers and ranchers that our farm policy remains balanced between commodities. Even slight acreage shifts from row crops to specialty crops can result in market disruption. In addition to sound farm policy, science-based regulations and an effective immigration policy are important to Arizona farmers and ranchers.

Virtually all of Arizona's cotton producers strongly support the current farm law. It is imperative that it continue to operate without major modification through its scheduled expiration with the 2007 crop. Our producers have made substantial long-term investment, cropping and marketing decisions, which are based on current law. We are particularly concerned by annual proposals to further tighten limitations on benefits or limit eligibility to the loan. Current limitations already place most of our operations at a significant disadvantage because of our costs and economies of scale.

The combination of a marketing loan, counter-cyclical payment when prices are low and a direct payment for stability are a sound foundation for future farm policy. Although we currently produce very little extra-long staple cotton, Arizona was once a significant producer and we support continuation of a loan program with a competitiveness provision to ensure U.S. extra-long staple cotton, also known as Pima cotton, remains competitive in international markets. The balance between the upland and pima cotton programs is important in California and Arizona to ensure that acreage is planted in response to market signals and not program benefits.

If negotiations in the Doha round have not been completed to the point that the impact on future U.S. farm policy is clear, we would support continuation of the current farm bill for at least one additional crop year.

Mr. Chairman, we know you recently returned from Geneva where you were briefed on the Doha round. We are deeply concerned that the language in the recent Hong Kong Ministerial

agreement will be used to single cotton out for special and differential treatment. We ask that you and your colleagues urge the US negotiating team to insist the negotiations be conducted as a single undertaking with no early harvest for cotton. We also urge you to make clear to our negotiators that the agreement must include meaningful increases in market access for all commodities before there can be agreement on reductions in domestic support.

We are also concerned that certain countries, which are highly competitive in world markets, not be allowed to utilize special and sensitive product designations and safeguards, designed to assist the poorest of the poor, as a way to avoid committing to significant increase market access. The US cotton industry has supported the Doha round but we will not be able to recommend that Congress support an agreement that requires cotton to accept deeper and quicker reductions in domestic support; that does not provide significant, meaningful increases in market access and that allows countries like Brazil, China, Pakistan and India to declare themselves as developing countries solely for the purpose of avoiding concessions.

Conservation programs will continue to be an important component of farm policy. For example, the Environmental Quality Incentives Program (EQIP) can be useful as we work to improve air quality. Conservation programs should be operated on a voluntary, cost-share basis as a valuable complement to commodity programs. However, they should not be viewed as an effective substitute for the safety net provided by commodity programs.

Since Arizona exports almost 100 percent of our annual cotton production, we strongly support continuation of the successful public-private partnership fostered by the Market Access Program (MAP). And we urge continued funding for the Foreign Market Development program and a WTO-compliant export credit guarantee program. These are so-called Green Box programs under the WTO and they enable us to effectively maintain important markets.

Research and crop insurance are also important to the future of our industry. We are particularly frustrated that the Risk Management Agency has been unsuccessful in responding to our need for affordable, higher levels of crop insurance coverage. We need to insure levels of 90 or even 95 percent of our yields in order to have effective risk management. You have also heard comments about our successful attempts to reduce and eliminate aflatoxin. This is a classic example of the important benefits to be derived from agricultural research.

In conclusion, Mr. Chairman, I want to briefly address the specialty crops. Recently some groups have made it clear that they want to be a significant part of the next farm bill—through increased earmarked funding for conservation, nutrition, research and block grants. Our challenge is to identify the funds for these new or enhanced programs without having to substantially reduce current levels of support. The cotton industry does not oppose programs that benefit specialty crops. In fact, given the diverse cropping alternatives in Arizona, we need a viable specialty crop market. However, we also need balance between programs and we need adequate resources. We look forward to working with the specialty crop interests and Congress in addressing their concerns.

Thank you for the opportunity to present these views. I look forward to working with the members of the Committee in developing effective farm policy.

I will be pleased to answer questions at the appropriate time.